

**REPORT ON
CLERK OF THE CIRCUIT COURT
of the
COUNTY OF DINWIDDIE, VIRGINIA
ANNIE L. WILLIAMS**

**FOR THE PERIOD
OCTOBER 1, 2003 THROUGH DECEMBER 31, 2004**



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Commonwealth of Virginia

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

Walter J. Kucharski, Auditor

May 10, 2005

The Honorable Annie L. Williams
Clerk of the Circuit Court
County of Dinwiddie

Board of Supervisors
County of Dinwiddie

We have audited the cash receipts and disbursements of the Clerk of the Circuit Court of the County of Dinwiddie for the period October 1, 2003 through December 31, 2004.

Our primary objectives were to test the accuracy of financial transactions recorded on the Court's financial management system; evaluate the Court's internal controls; and test its compliance with significant state laws, regulations, and policies. However, our audit was more limited than would be necessary to provide assurance on the internal controls or on overall compliance with applicable laws, regulations, and policies.

Court management has responsibility for establishing and maintaining internal controls and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Our audit was more limited than would be necessary to provide assurance on internal controls or to provide an opinion on overall compliance with laws and regulations. Because of inherent limitations in internal controls, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal controls to future periods is subject to the risk that the controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

The results of our tests found the Court properly stated, in all material respects, the amounts recorded and reported in the financial management system.

However we noted certain matters involving internal control and its operation that we consider to be reportable conditions. A reportable condition involves a matter coming to our attention relating to a deficiency in the design or operation of internal controls that, in our judgment, could reasonably lead to the loss of revenues or assets, or otherwise compromise fiscal

accountability. The reportable conditions are discussed in the section titled “Internal Control and Compliance Findings and Auditor’s Recommendations.”

We do not believe these conditions are material weaknesses. A material weakness is a significant deficiency in the design or operation of internal controls that, in our judgment, could reasonably lead to the loss of revenues or assets, or otherwise compromise fiscal accountability and go undetected.

The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance that are required to be reported.

We discussed these comments with the Clerk on May 10, 2005 and we acknowledge the cooperation extended to us by the court during this engagement.

AUDITOR OF PUBLIC ACCOUNTS

WJK:slb

cc: The Honorable Thomas V. Warren, Chief Judge
Gregory Horwedel, County Administrator
Bruce Haynes, Executive Secretary
Compensation Board
Paul Delosh, Director of Technical Assistance
Supreme Court of Virginia
Martin Watts, Court Analyst
Supreme Court of Virginia
Director, Admin and Public Records
Department of Accounts

INTERNAL CONTROL AND COMPLIANCE FINDINGS AND AUDITOR'S RECOMMENDATIONS

The following findings are reportable internal control matters that could lead to the loss of revenues, assets, or otherwise compromise the Clerk's fiscal accountability. The Clerk's response and written corrective action plan to remediate these findings are included as an enclosure to this report.

Improve Accounting Procedures

The results of our audit show that in many areas the Clerk does not follow sound accounting and internal control procedures, especially those for recording, processing and monitoring financial and case data in the court's automated systems. Though the Clerk had corrected many of these items during the prior year audit, the Clerk has failed to keep the changes in place and this audit found that conditions had reverted to their prior state.

Specifically, we found problems in the following areas. Many of these issues are the same as we reported two years ago.

Reconciliations

Monthly bank account statements are not properly reconciled to the court's financial records because staff do not understand how to consistently identify, resolve, or document differences between the statement and system ending balances. We found unresolved differences carried forward month-to-month since as far back as August 2004. We determined that one of the differences resulted from an unidentified \$42 cash shortage.

Another factor hindering the monthly reconciliation process is staff's failure to consistently reconcile daily collections. Oftentimes staff do not identify and resolve differences between the amount collected by the court and the amount deposited in the bank. The automated system provides help in the process by printing out a daily reconciliation work sheet. But, as we noted in prior audits, staff do not always use this tool. As a result, there was an unidentified \$30 overage in cash in June 2004 that was not documented on the daily reconciliation worksheet nor was it appropriately reflected in the system. Properly completing the work sheet would help minimize the chance of errors when reconciling daily collections.

Though the Clerk attempts to reconcile her office and salary expenses to the state Compensation Board's reimbursement to verify the accuracy of the reimbursement, she does not understand how to correct discrepancies. After reconstructing the Clerk's expense transactions, we noted that the Clerk has incurred apparent expenses totaling more than \$949 that the Compensation Board has not reimbursed. The Clerk should ensure she has a thorough understanding of the reimbursement process and should reconcile balances in expense accounts monthly to ensure she properly receives all payments and promptly identifies and resolves discrepancies. As an alternative, the Clerk should consider asking the county to pay her office and payroll expenses directly. This is procedure used by the majority of circuit court clerks.

Reconciliations, both monthly and daily, are essential for determining the proper recording of all transactions and detecting errors. When the Clerk and her staff cannot reconcile the account, the Clerk should immediately seek assistance from the Supreme Court.

Establish a Change Fund

The Clerk does not use a change fund even though the court often receives cash in the normal business of the court. Instead, the Clerk allows staff to co-mingle personal funds with court funds to provide change to customers, or they refuse to accept cash payments if change is not available. As a result of having to use alternative means to provide change, daily collections were \$42 short in August 2004. The Clerk should immediately stop the co-mingling of funds and establish an official change fund using the recommended procedures listed in the Financial System User's Guide. Co-mingling public funds with personal funds greatly increases the risk of errors, omissions, or other loss of funds.

Understanding the Automated Financial System

The Clerk and staff do not have a good understanding of the court's automated financial and case management systems. We noted several problems caused by staff's failing to review system reports and incorrectly entering financial data in the court's systems. There is no concerted effort to consistently monitor daily exceptions reports produced by the automated systems.

Exceptions reports identify accounts requiring corrective action. For example, exception reports showed cases not going to the Department of Motor Vehicles for unpaid court debt up to seven months late. License suspension for unpaid court debt is a valuable tool in the collection of monies owed to the court. Another exception report showed a case without a receivable where a defendant should have been assessed a \$100 fine. This error went uncorrected for up to three months, because staff did not request and review the report.

Staff often erroneously enter correcting journal vouchers in the system or enter journal vouchers twice. Of 15 days tested, we noted three instances where staff entered the journal voucher twice, and a correcting journal voucher that required five entries before staff successfully recorded and fixed the problem. Journal voucher entries effect the court's accounting system and consistent errors result in inaccurate financial data.

Staff often use incorrect coding when processing financial information in the automated system. Staff continues to incorrectly use a miscellaneous or unclassified reason code when recording disbursements for such transactions as office expenses or overpayment refunds. Court staff could prevent many of these errors if staff used the system's preformatted transaction capabilities.

When properly used, the court's financial and case management systems provide effective means to quickly process data critical to daily operations and enhance customer service. However, the Clerk and staff must have a working knowledge of systems procedures. The Clerk should immediately contact the Supreme Court for refresher financial management system training. Once training is received, the Clerk should evaluate the capabilities of each staff member and reassign duties commensurate with each one's ability to operate in the automated environment.

Annie L. Williams, Clerk
Huntus K. Duke, Deputy
Sylvia R. Cravath, Deputy
Blanche L. Cairns, Deputy



11TH JUDICIAL CIRCUIT COURT
3rd Tuesday in Jan., March
May, July, Sept., Nov.

Thomas V. Warren, Judge
James F. D'Alton, Jr., Judge
Pamela S. Baskervill, Judge

CLERK'S OFFICE
**Circuit Court
of Dinwiddie County**

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May 25, 2005

Mr. James M. Shepard, CPA
Audit Director
Auditor of Public Accounts
Richmond, Virginia

Attention: Mr. Shepard:

In response to your letter dated May 10, 2005, concerning the audit report and areas that need improvements, I am addressing as follows:

The bank statements for the Circuit Court of Dinwiddie County have been reconciled from the time of the audit to the present date.

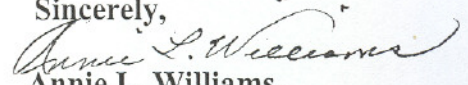
A change fund has already been established and I feel this should definitely be a factor in resolving problems with the cash reconciliation work sheet.

Concerning the account (811) salaries and expenses with the Compensation Board, the Supreme Court of Virginia is assisting in these matters. In addition, as of July 1, 2005, the county will be doing all payroll, therefore these problems should cease to exist.

The exceptions reports concerning cases not going to the Department of Motor Vehicles has been channeled to the proper person for correction.

A training session has been scheduled for FMS training in June, 2005, and should help alleviate many of the existing problems.

Sincerely,


Annie L. Williams,
Clerk